



Madison County Community Development

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*Kurt Prenzler, CPA
County Board Chairman*

September 18, 2017

Mr. Jeff Bezos
Chief Executive Office, Amazon
2121 7th Ave.
Seattle, WA 98121

Dear Mr. Bezos:

Thank you for your interest in Edwardsville, Illinois as a location for your proposed headquarters project. The sites we are presenting to you are either in the Gateway Commerce Center Enterprise Zone or will be added to the Zone to support your project. One of the purposes of this letter is to illustrate the level of tax savings your project may generate if you decide to invest in the Gateway Commerce Enterprise Zone. These numbers are for illustration only. The actual tax savings will be dependent on the actual investment undertaken in the Gateway Commerce Enterprise Zone.

An enterprise zone is a specific area designated by the State of Illinois in cooperation with a local government to receive various tax incentives and other benefits to stimulate economic activity and neighborhood revitalization. These incentives include:

Property Tax Abatement: Property owners that improve and/or renovate industrial, commercial, or manufacturing property within the Zone and not in a Tax Increment Financing District (TIF) are eligible to receive a ten-year abatement of property taxes on the assessed value of the improvements and/or renovations. The abatement for the first seven years is on 100% of the assessed value of the improvements, 70% of the assessed value in year 8, 40% in year 9, and 10% of the assessed value of the improvements in year 10. To receive this abatement, property owners must obtain building permits and submit Enterprise Zone "Project Information Forms" for their Phase I Headquarter Development after September 8, 1997.

Based on preliminary information provided by your RFP, we are assuming that your company will invest \$600 million in real property improvements. Assuming the annual property tax is \$7.35 per \$100 of assessed valuation.

Phase I:

Market value of real estate improvements (capital investment appraisal):	\$600 million
IL Assessed value (appraisal x 0.333):	\$199,800,000
Tax rate: (will vary by site)	\$7.35 per \$100/EAV

Estimated Enterprise Zone Property Tax Abatement	
In Year One	<u>\$14,692,492.80</u>
Totals in Year Seven	<u>\$102,847,449.60</u>
Totals in Year Ten	<u>\$120,478,440.96</u>

Sales Tax Exemption: A 6.25 percent State sales tax exemption for building materials used to improve or renovate real property within the Enterprise Zones is available to individuals or businesses that purchase their building materials from retailers or suppliers subject to Illinois sales tax. To receive this sales tax exemption, the individual or business must provide the participating retailer with an Enterprise Zone Sales Tax Certificate issued through the Illinois Department of Revenue. Please note that the Enterprise Zone Administrator works with the business to electronically process the certificates through the Illinois Department of Revenue.

Based on Madison County Community Development's preliminary estimated value of 40% of total project real property investment, the value of the building materials is \$240,000,000 (40% of \$600,000,000 million).

Estimated Sales Tax Exemption: \$15,000,000 (\$240,000,000 x 6.25%)

This exemption is applied to Sales Tax as the products are purchased and can be realized immediately. The sales tax figure of 6.25% is an estimated rate for the State of IL. In most cases the actual sales tax is higher because of locally applied sales taxes for transit, recreation districts, and home rule. Regardless of sales tax rate, materials subject to State of Illinois sales tax for projects located in Illinois State Enterprise Zones are 100% sales tax exempt.

Enterprise Zone Investment Tax Credit A state investment tax credit of 0.5 percent is allowed by a taxpayer who invests in qualified property in an enterprise zone. Qualified property includes machinery, equipment and buildings. The credit may be carried forward for up to five years.

Based on preliminary information provided by your RFP, total capital investment in real and personal property is projected to be \$600,000,000

Estimated Tax Credit: \$3,000,000 (\$600,000,000 x 0.005)

This credit is applied toward the 7.00% State Corporate Income Tax and the credits are filed with the IL Department of Revenue.

Utility Tax Exemption A state utility tax exemption on gas, electricity, and the Illinois Commerce Commission's administrative charge is available to businesses located in enterprise zones. Eligibility for this exemption is contingent upon a business making a \$5 million investment which causes the creation of 200 full-time equivalent jobs in Illinois or an investment of \$20 million for the retention of 1,000 full-time jobs in Illinois. The majority of the jobs created or retained must be located in the enterprise zone in which the investment occurs. A business must make application to

and be certified by DCEO for the state utility tax exemption. Please note that Amazon's previous investments and job creation activities in the Gateway Commerce Center are enough to meet the qualifications for this exemption. Thus any additional buildings that are located with the Gateway Commerce Center Zone will also qualify for the utility tax exemption. The certifications are renewable every five years through the life of the Enterprise Zone as long as the business maintains it 200 jobs. The Gateway Commerce Enterprise Zone term does not expire until 2027.

Electric Tax Estimate:	<u>\$52,080 annually</u>
Natural Gas Tax Estimate:	<u>\$6,805 annually</u>

Disclaimer: Since load data of the proposed 1,000,000 square foot HQ Building is not available, the estimates are based on average consumptions per square foot from the 2003 EIA Commercial Building Energy Consumption Survey (CBECS). Estimates are based on the Illinois Department of Revenue Tax Rate Database available at <http://tax.illinois.gov/TaxRates/Excise.htm>. These estimates are being provided to illustrate potential Illinois Enterprise Zone Program Utility Tax Exemptions Incentive value. It is noted that actual benefit will be dependent on actual energy consumption rates and site location.

Other Incentives: Madison County's Infrastructure Loan Program

The Madison County Infrastructure Loan Program is designed to help Madison County's local governments finance public infrastructure needed to support private sector economic development or address public health and safety concerns. Specifically, this program provides low-interest loans to local governments for infrastructure projects which: (1) lead directly to private sector investment activities that create or retain permanent jobs for Madison County residents; or (2) effectively address identifiable public health and safety issues in Madison County. The amount of funds that Madison County lends to a local government is based on the public benefits provided by the infrastructure project and the local government's needs and financial condition.

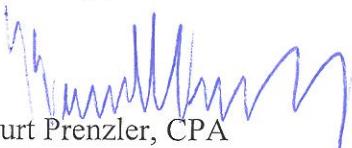
This program can be used for the following types of public improvements: local roads and streets, access roads, bridges, sidewalks, water and sewer line extensions, water distribution facilities, rail improvements, and other public utilities.

Under this program, Madison County generally loans the funds to local governments at a 3% interest rate for terms between 5-10 years. The exact loan terms depend upon the fiscal capacity of the local government.

Madison County Community Development is prepared to recommend up to \$750,000 in the form of a low interest loan to the appropriate local governments that may need assistance to extend public utilities to your proposed headquarters location.

Thank you again for considering Madison County for your proposed investment. We look forward to working confidentially with you, the City of Edwardsville, State of Illinois, Ameren, Southwestern Electric Cooperative and other economic development allies to use all available resources to deliver a cost effective proposal for your firm to locate its headquarters in Madison County. Please do not hesitate to contact me or James Arnold at 618/296-4247 (jarnold@co.madison.il.us) if you need additional information or assistance.

Sincerely,



Kurt Prenzler, CPA
Madison County Chairman